Supreme Court, U.S.
FILED
JUN 18 1991
OFFICE OF THE CLERK

(2)

No. 90-1781

IN THE

Supreme Court of the United States

OCTOBER TERM, 1990

ALFLEX CORPORATION,

Petitioner,

v.

UNDERWRITERS LABORATORIES INC.,

Respondent.

On Petition For A Writ Of Certiorari To The United States Court Of Appeals For The Ninth Circuit

RESPONDENT'S BRIEF IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI

VICTOR E. GRIMM
(Counsel of Record)
JOHN R. MYERS
MICHAEL CHIMITRIS
BELL, BOYD & LLOYD
Three First National Plaza
70 West Madison Street
Chicago, Illinois 60602
(312) 372-1121

DEBRA S. RADE
Underwriters Laboratories Inc.
333 Pfingsten Road
Northbrook, Illinois 60062

Attorneys for Respondent

Dated: June 18, 1991

Midwest Law Printing Co., Chicago 60611, (312) 321-0220

QUESTIONS PRESENTED

Petitioner misconstrues the holding of the court below and consequently has misstated the questions presented, which are:

1. Whether Section 43(a) of the Lanham Act should be extended to cover conduct which is not competitive, and, more particularly, which is noncommercial speech by a not-for-profit institution regarding its evaluation of a product which neither it nor the petitioner causes, procures or delivers for entry into commerce.

2. Whether the Ninth Circuit's interpretation of *Blatty v. New York Times Co.*, 42 Cal. 3d 1033, 728 P.2d 1177, 232 Cal. Rptr. 542 (1986), *cert. denied*, 485 U.S. 934 (1988), under the California constitution is unreasonable or clearly erroneous.

TABLE OF CONTENTS

	PAGE
Questions Presented	i
Table of Authorities	iii
Statement of the Case	2
Reasons for Denying the Writ	4
I. There Is No Conflict in the Interpretation of the Lanham Act Within the Ninth Circuit or With Other Circuits	4
II. The 1988 Amendments to the Lanham Act Do Not Affect the Result of this Case	7
III. Summary Judgment on the Lanham Act Claim Was Appropriate for Other Reasons	9
IV. The Ninth Circuit Did Not Improperly Apply First Amendment Principles	11
Conclusion	13
Appendix	App. 1

TABLE OF AUTHORITIES

Cases	PAGE
Alfred Dunhill Ltd. v. Interstate Cigar Co., 499 F.2d 232 (2d Cir. 1974)	9
Alpo Petfoods, Inc. v. Ralston Purina Co., 913 F.2d 958 (D.C. Cir. 1990)	8, 9
Berni v. International Gourmet Restaurants of America, Inc., 838 F.2d 642 (2d Cir. 1988)	6
Bishop v. Wood, 426 U.S. 341 (1976)	12
Blatty v. New York Times Co., 42 Cal. 3d 1033, 728 P.2d 1177, 232 Cal. Rptr. 542 (1986), *cert. denied*, 485 U.S. 934 (1988)	11-12
Board of Trustees of the State Univ. of New York v. Fox, 492 U.S. 469 (1989)	10
Bolger v. Youngs Drug Prods. Corp., 463 U.S. 60 (1983)	10
Bose Corp. v. Consumers Union of United States, Inc., 466 U.S. 485 (1984)	8-9, 10
Bowen v. Georgetown Univ. Hosp., 488 U.S. 204 (1988)	8
Brockett v. Spokane Arcades, Inc., 472 U.S. 491 (1985)	11-12
Camel Hair and Cashmere Inst., Inc. v. Associated Dry Goods Corp., 799 F.2d 6 (1st Cir. 1986)	6-7
Central Hudson Gas & Elec. Corp. v. Public Serv. Comm'n of New York, 447 U.S. 557 (1980)	10
Davis v. United States, 417 U.S. 333 (1974)	6
Delta Airlines Inc. v. August, 450 U.S. 346 (1981)	8

PAGE

Dovenmuehle v. Gilldorn Mortgage Midwest Corp., 871 F.2d 697 (7th Cir. 1989) 6

Gold Seal Co. v. Weeks, 129 F. Supp. 928 (D.D.C. 1955), *aff'd sub nom., S.C. Johnson & Sons, Inc. v. Gold Seal Co.*, 230 F.2d 832 (D.C. Cir.), *cert. denied*, 352 U.S. 829 (1956) 7

Halicki v. United Artists Communications, Inc., 812 F.2d 1213 (9th Cir. 1987) 4-6

Haring v. Prosise, 462 U.S. 306 (1983) 12

Herb v. Pitcairn, 324 U.S. 117 (1945) 11

Indian Head, Inc. v. Allied Tube & Conduit Corp., 817 F.2d 938 (2d Cir. 1987), *aff'd*, 486 U.S. 492 (1988) 3

Lamothe v. Atlantic Recording Corp., 847 F.2d 1403 (9th Cir. 1988) 5-6, 9

Monoflo Int'l, Inc. v. Sahmn, 726 F. Supp. 121 (E.D. Va. 1989) 10

Obolensky v. G.P. Putnam's Sons, 628 F. Supp. 1552 (S.D.N.Y.), *aff'd without opinion*, 795 F.2d 1005 (2d Cir. 1986) 10

Palmer v. Hoffman, 318 U.S. 109 (1943) 12

Propper v. Clark, 337 U.S. 472 (1949) 12

Smith v. Montoro, 648 F.2d 602 (9th Cir. 1981) .. 5

The Tungus v. Skovgaard, 358 U.S. 588 (1959) ... 12

Thorn v. Reliance Van Co., 736 F.2d 929 (3d Cir. 1984) 7

United States v. Dunham Lumber Co., 363 U.S. 522 (1960) 12

Wilson v. Loew's Inc., 355 U.S. 597 (1958) 11

Constitutions and Statutes PAGE

U.S. Const. amend. I, cl. 2 (1791) 10

Section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a) ..... *passim*

Cal. Const. art. I, § 2 (1976, amended 1980) ... 11-12

Other Authorities

S. REP. NO. 515, 100th Cong., 2d Sess. 40, *reprinted in* 1988 U.S. CODE CONG. & ADMIN. NEWS 8-9

J. Gilson, *Trademark Protection and Practice* § 7.02[6] n.52 (1990) 9

No. 90-1781

IN THE

Supreme Court of the United States

OCTOBER TERM, 1990

ALFLEX CORPORATION,

Petitioner,

v.

UNDERWRITERS LABORATORIES INC.,

Respondent.

On Petition For A Writ Of Certiorari To The United States Court Of Appeals For The Ninth Circuit

RESPONDENT'S BRIEF IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI

Respondent Underwriters Laboratories Inc. ("UL")[1] respectfully requests that this Court deny the Petition for Writ of Certiorari ("Petition") seeking review of the decision of the Ninth Circuit Court of Appeals ("Opinion").[2]

[1] Respondent Underwriters Laboratories Inc. has no parent companies, subsidiaries or affiliates.

[2] The Opinion is reprinted in the Appendix to the Petition for Certiorari ("A- "). The opinion of the district court is reprinted in the Appendix to this brief.

STATEMENT OF THE CASE

Petitioner, Alflex Corporation ("Alflex"), is a manufacturer of metal electrical conduit, a building material designed to hold and protect electrical wiring. "UL is a non-profit testing and certification organization that assesses products for possible hazards to life and property." Opinion at A-2.

Manufacturers seeking a UL certification submit product samples for testing and evaluation by UL safety engineers. SER 19, 39-¶ 4.[3] Products found to comply with UL safety standards and requirements may be "Listed" by UL pursuant to a "Listing and Follow-Up Service Agreement" wherein the manufacturer agrees that it will use the UL certification mark only on products that meet UL requirements and will allow UL inspectors to conduct periodic factory follow-up testing to determine continued compliance with them. Listed products are included in product directories published by UL. SER 3-¶ 14, 20-21, 39-¶ 4, 40-¶ 6; ER 3, 5-6 ¶¶ 5, 8-9.

In January 1969, UL Listed Alflex's flexible aluminum conduit, and Alflex proceeded to distribute and sell that product bearing UL's certification mark. SER 1-4, 43-¶ 13; CR 134 at 212. In the mid-1970's, the Carlon Company ("Carlon") began to manufacture a competitive plastic product known as "electrical non-metallic tubing" ("ENT"). After extensive testing and evaluation over a three-year period, UL Listed Carlon's ENT for use in certain limited applications. UL's product directories Listed ENT and

[3] In this brief, references to the record below are abbreviated as follows: Court Record—"CR"; Appellant's Excerpts of Record—"ER"; Appellee's Supplemental Excerpts of Record—"SER".

flexible metal conduit in separate sections and under separate headings identifying the differing product usage restrictions. Opinion at A-4; SER 9, 23-24, 31-32, 53-54, 57; CR 91 at 478; CR 87 at 273. Despite these limitations on the use of ENT, Alflex, in coordination with other metal conduit manufacturers, lodged vigorous protests against the Listing of ENT. Alflex viewed the product as "extremely price competitive and installed very easily" and was concerned that, in certain applications, it would "displace flexible metal conduit."[4] SER 14; CR 134 at 47; CR 87 at 305.

Alflex brought this action seeking damages and an injunction against UL's continued Listing of Carlon's ENT. Alflex did not complain that Carlon's product was unsafe, but asserted, among other claims, that UL applied differing test requirements to ENT and to Alflex's metal product. Alflex charged that UL's published Listing for ENT therefore constituted a "false representation" in violation of Section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a), and California law. The United States District Court for the Central District of California granted summary judgment for UL on all claims. *Alflex Corp. v. Underwriters Laboratories Inc.*, 1989 U.S. Dist. LEXIS 6935 (C.D. Cal.). The United States Court of Appeals for the Ninth Circuit affirmed, holding that UL's conduct was not actionable as unfair competition or false advertising under either the Lanham Act or the California Business and Professional Code.

---

[4] Alflex and other metal conduit manufacturers had previously voted to defeat the adoption of an article of the National Electrical Code approving use of ENT in certain locations. Those events are described in *Indian Head, Inc. v. Allied Tube & Conduit Corp.*, 817 F.2d 938 (2d Cir. 1987), *aff'd*, 486 U.S. 492 (1988).

REASONS FOR DENYING THE WRIT

Alflex fails to present the Court with an issue which merits review because: (i) Alflex has mischaracterized the Ninth Circuit's opinion to suggest a conflict regarding interpretation of the Lanham Act within the Ninth Circuit and with other circuits where there is no conflict; (ii) the 1988 amendments to the Lanham Act do not affect the result in this case; (iii) summary judgment on the Lanham Act claim was appropriate for other reasons; and (iv) there is no First Amendment issue raised by the opinion below.

I.

There Is No Conflict in the Interpretation of the Lanham Act Within the Ninth Circuit or With Other Circuits

Alflex mischaracterizes the Ninth Circuit's interpretation of the Lanham Act to suggest a conflict within the Ninth Circuit and with other circuits. Thus, Alflex poses the question presented as if the court below "limited the [Lanham Act] to actions between competitors." Petition, p. i. The Ninth Circuit did not so narrowly read the act. Rather, the court stated that: "To be actionable, conduct must not only be unfair but must in some discernable way be competitive." Opinion at A-9 (quoting *Halicki v. United Artists Communications, Inc.*, 812 F.2d 1213, 1214 (9th Cir. 1987)). Alflex did not contend that UL engaged in any competitive conduct *vis à vis* Alflex, and the Ninth Circuit concluded:

> UL's conduct is not competitive. UL is a non-profit organization set up to promulgate safety requirements for thousands of electrical prod-

> ucts. UL is not in competition with Alflex. Under *Halicki*, UL's conduct in Listing Carlon's product was not competitive and, therefore, not actionable under the Lanham Act.

Opinion at A-9-10. Thus, the Ninth Circuit's emphasis is not solely on the status of the parties, but on the nature of defendant's conduct in relation to the plaintiff.

Contrary to Alflex's contention, *Smith v. Montoro*, 648 F.2d 602 (9th Cir. 1981), is not in conflict with the decision below. *Smith* involved a case of "express reverse passing off." Defendants had removed plaintiff's name and replaced it with another actor's name in motion picture film credits and advertising. The court held that, although plaintiff was not in "actual competition" with defendants, plaintiff had standing because he was "in the business of providing his talents for use in the creation of an entertainment product" and was, therefore, "uniquely situated to complain of injury resulting from a film distributor's misidentification of appellant's contribution to the product." *Smith*, 648 F.2d at 607-08. Clearly, no similar interest exists here, where Alflex challenges statements that refer neither to it nor to its goods or services.

In *Halicki v. United Artists Communications, Inc.*, 812 F.2d 1213 (9th Cir. 1987), the plaintiff did not allege passing off or reverse passing off, and the Ninth Circuit rejected plaintiff's reading of *Smith* to cover allegedly false advertising by a noncompetitor. Finding no allegation of conduct that was "in some discernable way . . . competitive," the court affirmed summary judgment for defendants. *Halicki*, 812 F.2d at 1214.

The Ninth Circuit relied upon both *Smith* and *Halicki* in *Lamothe v. Atlantic Recording Corp.*, 847 F.2d 1403, 1405-06 (9th Cir. 1988), finding no conflict, but complementary interpretations of the Lanham Act. In *Lamothe*, the

court reversed summary judgment for defendants in a reverse passing off case where one of the defendants was a competitor of plaintiffs. 847 F.2d at 1406, 1408. The panel below, which included the author of the *Smith* decision, Judge Pregerson, relied upon both *Halicki* and *Lamothe* in ruling for UL. Thus, there is no conflict of decisions within the Ninth Circuit.[5] Opinion at A-9.

The decision below is also consistent with decisions in other circuits. In both *Dovenmuehle v. Gilldorn Mortgage Midwest Corp.*, 871 F.2d 697 (7th Cir. 1989) and *Berni v. International Gourmet Restaurants of America, Inc.*, 838 F.2d 642 (2d Cir. 1988), plaintiffs were family members, with no present commercial interest in the family name, alleging passing off and consumer confusion over use of the family name and trademark purchased by defendants. While recognizing that a plaintiff need not be in "direct competition" to have standing, these courts affirmed dismissal of the claims, holding that plaintiffs had retained no interest in the trade name, nor had they engaged in competition under the family name. *Dovenmuehle*, 871 F.2d at 700-01; *Berni*, 838 F.2d at 648.

Similarly, in the false advertising cases upon which petitioner relies, plaintiffs each complained of an interest threatened by conduct that was "in some discernable way . . . competitive," consistent with the requirement set forth in *Halicki* and in the opinion below. *See Camel Hair & Cashmere Inst., Inc. v. Associated Dry Goods Corp.*, 799 F.2d 6, 14 (1st Cir. 1986) (trade association of camel hair and cashmere garment makers had standing to sue seller of coats mislabelled as seventy per cent cashmere

---

[5] In any event, conflicting decisions by different panels of the same circuit is not a basis for granting certiorari. *Davis v. United States*, 417 U.S. 333, 340 (1974).

because defendant was "wrongfully trading on the established quality of another's product"); *Thorn v. Reliance Van Co.*, 736 F.2d 929, 932-33 (3d Cir. 1984) (investor in a bankrupt company damaged by the false advertising of a competitor accorded standing where the bankruptcy trustee refused to bring the action on behalf of the company); *Gold Seal Co. v. Weeks*, 129 F. Supp. 928, 940 n.34 (D.D.C. 1955), *aff'd sub nom., S.C. Johnson & Sons, Inc. v. Gold Seal Co.*, 230 F.2d 832 (D.C. Cir.) (per curiam), *cert. denied*, 352 U.S. 829 (1956) (defendant falsely advertised its own product; companies were "fierce competitors generally"), *cited in* Petition, p. 7.

II.

The 1988 Amendments to the Lanham Act Do Not Affect the Result of this Case

Alflex argues that its petition should be granted because the court below "ignored" amendments to the Lanham Act that became effective in November 1989, two and one-half years after Alflex filed its complaint and months after that complaint was dismissed by the district court. Petition, p. 13. Alflex contends that if the amendments to the Act apply, "then Alflex is entitled to proceed with its claim." Petition, p. 15. This statement completely vitiates Alflex's first Lanham Act argument and presumes that, without the amendments, Alflex is not entitled to proceed with its claim.

Alflex suggests that the amendments to the Act may have been intended by Congress to apply retroactively. Alflex, however, does not take a position as to Congress' intent, nor does it cite authority on the issue, leaving the Court to guess at what point Alflex is trying to make and why it constitutes a reason for this Court to grant

certiorari. Nor does Alflex explain how the amendments may be read to overturn the decision below or other prior case law or how they might create a new cause of action under the circumstances in this case. Furthermore, Alflex did not raise this issue in the court below and is precluded from asserting it for the first time at this stage. *Delta Airlines Inc. v. August*, 450 U.S. 346, 362 (1981).

The question of retroactive application is answered by this Court's decision in *Bowen v. Georgetown Univ. Hosp.*, 488 U.S. 204, 208 (1988), wherein the Court struck down a retroactive rulemaking, stating "[r]etroactivity is not favored in the law." *See* discussion of this issue as applied to the recent Lanham Act amendments in *Alpo Petfoods v. Ralston Purina Co.*, 913 F.2d 958, 963-64 n.6 (D.C. Cir. 1990).

Even if the amendments were retroactively applied, they would not affect the result in this case. As the court below stated, "[t]he amendment does not affect the District Court's or our analysis of this issue." Opinion at A-8, n.1. Congress intended the Section 43(a) amendments generally to codify pre-1988 case law. *Alpo Petfoods*, 913 F.2d at 964 n.6. The one substantive clarification that the amendments addressed, "that misrepresentations about another's products are as actionable as misrepresentations about one's own" in commercial advertising or promotion, does not affect this case, because the modification merely confirms that Section 43(a) "extend[s] to misrepresentations about competitor's products or services."[6] S. REP.

[6] The UL Listing in issue is neither a representation about a "competitor's products or services" nor is it "commercial advertising or promotion." Indeed, independent product evaluations constitute protected First Amendment speech. *Bose Corp. v. Consumer Union of the United States, Inc.*, 466 U.S. 485, 499-514

(Footnote continued on following page)

No. 515, 100th Cong., 2d Sess. 40, *reprinted in* 1988 U.S. CODE CONG. & ADMIN. NEWS 5577, 5603; *see also Alpo Petfoods*, 913 F.2d at 964 n.6. Moreover, the Senate Committee on the Judiciary expressly stated its intent that standing under Section 43(a) "should continue to be decided on a case-by-case basis." S. REP. NO. 515 at 41, 1988 U.S. CODE CONG. & ADMIN. NEWS at 5604.

III.

Summary Judgment on the Lanham Act Claim Was Appropriate for Other Reasons

Because of its ruling that Alflex had shown no competitive conduct, the Ninth Circuit did not reach UL's additional grounds supporting affirmance of summary judgment. However, summary judgment was also appropriate for the following reasons:

First, UL was not engaged in commercial advertising. The Lanham Act prohibits two different types of conduct, passing off and false advertising. *Lamothe*, 847 F.2d at 1406. Alflex does not accuse UL of passing off, and UL's Listing of Carlon's ENT is not commercial advertising. *Alfred Dunhill Ltd. v. Interstate Cigar Co.*, 499 F.2d 232, 237 (2d Cir. 1974) (Section 43(a) is "limited to false advertising as that term is generally understood"). UL's Listing of Carlon's ENT is nothing more than a statement by UL that a product complies with the UL safety standards. SER 20; CR 134 at 100. UL Listings are published in

---

[6] *continued*
(1984). The drafters of the 1988 amendments to the Lanham Act limited the reach of Section 43(a) to misrepresentations in "advertising and promotion" in order to ensure that representations made by independent product testing services like UL and Consumer Reports were not actionable. J. Gilson, *Trademark Protection and Practice* § 7.02[6] n.52 (1990).

its directories which do not contain any promotional or advertising material. SER 20-32.

Second, UL did not "cause" or "procure" ENT to enter commerce as required by the Act. 15 U.S.C. § 1125(a) at A-27; *see also Monoflo Int'l, Inc. v. Sahmn*, 726 F. Supp. 121, 125-26 (E.D. Va. 1989) (Section 43(a) claim deemed "fatally deficient" because defendant did not "cause [subject] goods or services to enter into commerce"). A manufacturer's decision to introduce its products into commerce is entirely its own. *See Obolensky v. G.P. Putnam's Sons*, 628 F. Supp. 1552, 1556 (S.D.N.Y.), *aff'd without opinion*, 795 F.2d 1005 (2d Cir. 1986).

Finally, UL's Listing of Carlon's ENT is noncommercial speech that is protected by the First Amendment. UL is a not-for-profit corporation which has no economic interest in its Listees. It publishes its Listings, not to sell another's products, but to express its views concerning compliance of such products with its safety standards. SER 20-32, 39 at ¶¶ 2, 4; SER 40 at ¶ 6; CR 134 at 100. UL Listings do not comport with this Court's identification of the characteristics of commercial speech, which does "no more than propose a commercial transaction." *Bolger v. Youngs Drug Prods. Corp.*, 463 U.S. 60, 66 (1983); *see also Board of Trustees of the State Univ. of New York v. Fox*, 492 U.S. 469 (1989). Such product evaluations by independent parties have been treated by this Court as fully protected noncommercial speech. *Bose Corp. v. Consumers Union of United States, Inc.*, 466 U.S. 485, 499-514 (1984); *Central Hudson Gas & Elec. Corp. v. Public Serv. Comm'n of New York*, 447 U.S. 557, 562 (1980).

Thus, there are several independent grounds for summary judgment on Alflex's Lanham Act claim in addition to those stated by the court below.

IV.

The Ninth Circuit Did Not Improperly Apply First Amendment Principles

Alflex also contends that the court below "misappl[ied] *Blatty*" in dismissing plaintiff's state law claims. Petition, p. 9. In *Blatty v. New York Times Co.*, 42 Cal. 3d 1033, 1042, 728 P.2d 1177, 1182, 232 Cal. Rptr. 542, 547 (1986), *cert. denied*, 485 U.S. 934 (1988), the California Supreme Court held that where "the alleged injurious falsehood of a statement is the gravamen of the plaintiff's claim . . . the statement . . . must be 'of and concerning' the plaintiff in some way." Here, "Alflex does not dispute that the gravamen of its unfair competition and unfair business claims is the alleged injurious falsehood implied in the UL Listing of Carlon's product." Opinion at A-22. Because UL's alleged "falsehood" is not "of and concerning" Alflex, the court of appeals correctly applied *Blatty* in affirming the district court's grant of summary judgment on Alflex's state law claims. Opinion at A-22.

The court of appeals found *Blatty* controlling not because it was founded on First Amendment principles, but "because the holding was based on the California Supreme Court's interpretation of article I, section 2, of the California Constitution." Opinion at A-22.[7] This purported "misapplication" of state law by a federal court of appeals does not merit review by this Court. *See, e.g., Brockett v. Spokane Arcades, Inc.*, 472 U.S. 491, 499-501 (1985)

---

[7] Even if the Court were to conclude that the Ninth Circuit's application rests in part on First Amendment principles, review would be inappropriate because the decision also rests on adequate and independent state grounds. *Wilson v. Loew's Inc.*, 355 U.S. 597 (1958) (dismissing writ of certiorari as improvidently granted because the judgment rested on an adequate state ground). *See also Herb v. Pitcairn*, 324 U.S. 117, 125-26 (1945).

(The Court normally defers to the interpretation of state law given by the lower federal courts because "district courts and courts of appeals are better schooled in and more able to interpret the laws of their respective states"); *Haring v. Prosise*, 462 U.S. 306, 314 n.8 (1983) ("It is our practice to accept a reasonable construction of state law by the court of appeals 'even if an examination of the state-law issue without such guidance might have justified a different conclusion.' . . . [A] challenge to state-law determinations by the court of appeals will rarely constitute an appropriate subject of this Court's review." (quoting *Bishop v. Wood*, 426 U.S. 341, 346 (1976))).[8]

Because the Ninth Circuit interpretation of *Blatty* under the California constitution is neither unreasonable nor clearly erroneous, Alflex has failed to present the Court with a reviewable question of state law.

---

[8] The Court has stated that it will defer to lower courts on state-law issues unless there is "plain" error, *Palmer v. Hoffman*, 318 U.S. 109, 118 (1943); the view of the lower court is "clearly wrong," *The Tungus v. Skovgaard*, 358 U.S. 588, 596 (1959); or the construction is "clearly erroneous," *United States v. Dunham Lumber Co.*, 363 U.S. 522, 527 (1960), or "unreasonable," *Propper v. Clark*, 337 U.S. 472, 486-87 (1949).

CONCLUSION

For the foregoing reasons, the petition for a writ of certiorari should be denied.

Respectfully submitted,

VICTOR E. GRIMM
(Counsel of Record)
JOHN R. MYERS
MICHAEL CHIMITRIS
BELL, BOYD & LLOYD
Three First National Plaza
70 West Madison Street
Chicago, Illinois 60602
(312) 372-1121

DEBRA S. RADE
Underwriters Laboratories Inc.
333 Pfingsten Road
Northbrook, Illinois 60062

Attorneys for Respondent

Dated: June 18, 1991

APPENDIX

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

ALFLEX CORPORATION, a California corporation Plaintiff, v. UNDERWRITERS LABORATORIES INC., a Delaware corporation Defendant.	CASE NO. CV 87-3344 JGD ORDER GRANTING DEFENDANT'S MOTION FOR SUMMARY JUDGMENT

The Court, having considered the papers filed in support of and against defendant's motion for summary judgment, and the oral argument heard on February 27, 1989, hereby GRANTS defendant's motion in its entirety.

BACKGROUND

Defendant Underwriters Laboratories Inc., (hereinafter "UL"), is a not-for-profit corporation engaged in the operation of laboratories for the investigation and testing of products. One of the services that UL provides is a Listing Service. Under the Listing Service manufacturers submit product samples for testing and evaluation by UL safety engineers. After examination and testing, UL issues a report of its investigation setting forth test results and stating whether the product is judged to be in compliance with applicable requirements. A product which does comply is eligible to be Listed pursuant to a "Listing and Follow-up Service Agreement." The manufacturer

of a product Listed by UL is also authorized to affix the Listing Mark to products which comply with UL requirements for that product.

Plaintiff Alflex Corporation is a California corporation engaged in the manufacture and sale of steel and aluminum construction materials. Among other products, Alflex manufactures electrical conduits, including flexible aluminum conduit and flexible steel conduit. Electrical conduit is a type of raceway. There are a variety of raceway systems manufactured from various materials including steel, aluminum and polyvinyl chloride. UL currently has ten separate standards for various types of conduit products.

In 1968, Alflex submitted its flexible aluminum conduit to UL for a product Listing. Prior to Alflex's submission, UL had no Listings for flexible aluminum conduit. Consistent with normal procedure, UL developed tests unique to the characteristics of aluminum and applied selected tests from UL-1, the standard for flexible steel conduit. UL Listed Alflex's flexible aluminum conduit in February 1969. UL and Alflex also entered into a Listing and Follow-Up Service Agreement which set forth the terms and conditions governing Alflex's use of the Listing Mark.

In the mid-1970's, the Carlon Company developed an electrical conduit product manufactured from polyvinyl chloride material which became known as electrical nonmetallic tubing ("ENT"). Carlon submitted the product to UL for testing and for issuance of a Fact-Finding Report. Fact-Finding Reports issued by UL contain product information and test data. Carlon then presented the Fact-Finding Report to Code Making Panel 8 of the National Fire Protection Association ("NFPA") in connection with its proposal to add Article 331 to the National Electrical Code ("NEC") in order to recognize ENT. Article 331 was ultimately adopted and became a part of the 1984 NEC.

Originally, Carlon manufactured and shipped ENT in six and ten foot lengths. Subsequently, Carlon began to sell ENT in longer lengths shipped in coils. When plaintiff's president, Brian Harvey, became aware of this fact, he was concerned that ENT would become directly competitive with flexible metallic conduit and that it would reduce the market for Alflex's flexible metallic conduit. Alflex and other metallic conduit manufacturers attempted to persuade UL to stop the Listing of Carlon's product.

Mr. Seelbach, UL's Chief Electrical Engineer, believed that that Carlon's coiled plastic product was not in conflict with the language of Article 331. However, in response to challenges to the Carlon product, UL undertook a period of testing and investigation which spanned a three and one-half year period. Based on the tests that the UL engineers deemed applicable to the product, the UL engineers issued a report concluding that in their judgment the product had met UL test requirements and that it could be properly installed. UL submitted that report to its Electrical Council on March 18, 1985, with a request for comments.

After further testing and requests for formal interpretations of Article 331 from the NFPA, on April 17, 1987, UL again reported to its advisory Electrical Council that it intended to List Carlon's product in coilable form. On May 15, 1987, over the objection of members of the advisory council, UL announced that it would List Carlon's ENT in coils. On May 25, 1987, Alflex filed this lawsuit.

Plaintiff's complaint seeks to enjoin defendant from continuing to List the Carlon ENT in coils, and to recover damages for UL's Listing of that product. On June 2, 1987, the Court denied plaintiff's motion for a temporary restraining order. On October 9, 1987, the Court dismissed plaintiff's constitutional and Section 1983 claims. Plaintiff's

remaining claims are for: (1) violation of Section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a) (1982); (2) false advertising in violation of *Cal. Bus. & Prof. Code* § 17500; (3) unfair competition and unfair business practices in violation of *Cal. Bus. & Prof. Code* § 17200; (4) breach of contract; (5) breach of the duty of fairness; (6) breach of the duty to exercise due care; and (7) cancellation of the registration of UL's certification Marks pursuant to 15 U.S.C. § 1064(e) (1982).

SECTION 43(a) OF THE LANHAM ACT

Alflex contends that the application of the UL label to Carlon's coiled plastic conduit and to advertising for the product is a false representation and description proscribed by Section 43(a) because the label has an established meaning: that the product labeled is covered in the NEC, that established standards for comparable products have been applied, and that under those established standards, the product is safe. UL asserts that all of the representations which Alflex seeks to infer from the UL Listing constitute engineering judgments and opinions, not statements of objective facts and that Section 43(a) requires a misrepresentation of fact as distinguished from an expression of opinion.

The determination of whether a statement is one of opinion or fact is difficult to make and perhaps unreliable as a basis for decision. *Bose Corp. v. Consumers Union of United States, Inc.*, 692 F.2d 189, 194 (1st Cir.), *aff'd*, 466 U.S. 485 (1984). Therefore, for purposes of this motion, the Court assumes without deciding that the UL Listing may give rise to implicit factual representations.

However, the Court is persuaded by UL's argument that Section 43(a) is limited to actions by and between

competitors. In *Halicki v. United Artists Communications, Inc.*, 812 F.2d 1213, 1214 (9th Cir. 1987), the Ninth Circuit made clear its position that a plaintiff must show injury caused by a competitor in order to state a cause of action under Section 43(a). It is not enough that a plaintiff "show that the defendants made a false representation about his [product] and that he was injured by the representation." *Id.* Otherwise, Section 43(a) would become a "federal statute creating the tort of misrepresentation, actionable as to any goods or services in commerce affected by the misrepresentation." *Id.*

Plaintiff does not dispute that it is not engaged in competition with UL, an organization engaged in testing, not selling, products. As UL is not a competitor and does not engage in activities designed to give it an unfair advantage vis-a-vis a competitor, Section 43(a) does not reach UL's Listing of the Carlon product. Therefore, defendant's motion for summary judgement on the Section 43(a) claim is granted.

FALSE ADVERTISING AND UNFAIR COMPETITION

Alflex contends that UL engaged in false advertising under Section 17500 and unfair competition under Section 17200 of the California Business and Professions Code. UL asserts, among other things, that the First Amendment protects it from liability under Sections 17500 and 17200.[1]

[1] Under California law, it is not UL's burden to assert its constitutional rights as an affirmative defense; instead it is plaintiff's burden to prove that the challenged statement is not constitutionally protected speech. *Blatty v. New York Times Co.*, 42 Cal. 3d 1033 (1986).

In *Blatty v. New York Times Co.*, 42 Cal. 3d 1033, 1044 (1986), the California Supreme Court held that where the gravamen of a plaintiff's claim is an allegedly injurious falsehood, the First Amendment requires that the statement be "of and concerning" the plaintiff to be actionable. Based on this holding, the Court upheld the dismissal of the plaintiff's claims for false and misleading advertising under Section 17500 and for unfair competition under Section 17200. *Id.* at 1049.

Plaintiff does not dispute that the gravamen of its claims of false advertising and unfair competition is the alleged falsehoods implied in the UL Listing of Carlon's product. As this speech is not "of and concerning" Alflex, UL is entitled to summary judgment on these claims under *Blatty*.

BREACH OF CONTRACT

UL and Alflex entered into a Listing and Follow-Up Service Agreement on February 21, 1969. Complaint, Exhibit 1. The Listing Agreement sets forth the terms and conditions upon which Alflex will be allowed to use the UL Listing Mark. *Id.* Alflex seeks to imply additional terms in this contract that would govern UL's decision to List the products of other manufacturers. Alflex relies on cases which allow a court to consider industry custom and practice in supplying a missing term or to otherwise aid in interpreting a contract. *See, e.g., Midwest Televisions, Inc. v. Scott, Lancaster, Mills & Atha, Inc.*, 205 Cal. App. 3d 422, 451 (1988).

The Court finds that the contract is not reasonably susceptible to the additional terms proposed by Alflex. The subject matter of the contract concerns the rights and obligations of Alflex and UL with respect to the Listing

of Alfex's products. If there were matters concerning the Listing of these products that were vague or not covered by the written agreement, the terms necessary for construing the contract might be implied from industry practice or other extrinsic evidence. However, Alflex does not challenge the manner in which UL has Listed its products. Instead, it seeks to imply terms which would preclude the Listing of a competitor's products. Implied-in-fact contract terms cannot be used to so radically alter and expand the underlying agreement of the parties.

Alflex's argument that UL has also breached the implied-in-law covenant of good faith and fair dealing fails for similar reasons. Alflex is not attempting to use the covenant of good faith and fair dealing to protect the express covenants of the contract. Rather, it is attempting to create all new terms which would govern the manner in which UL Lists other products. This is an unwarranted extension of the doctrine.

The covenant may not be used to vary or modify the terms of an unambiguous contract. *Ford v. Manufacturers Hanover Mortgage Corp.*, 831 F.2d 1520, 1524 (9th Cir. 1987) (applying California law). Its scope depends on the contractual purpose. *Egan v. Mutual of Omaha Ins. Co.*, 24 Cal. 3d 809, 818 (1979). As the California Supreme Court recently stated in *Foley v. Interactive Data Corp.*, 254 Cal. Rptr. 211, 232 (1988):

> An allegation of breach of the implied covenant of good faith and fair dealing is an allegation of breach of an "ex contractu" obligation, namely one arising out of the contract itself. The covenant of good faith is read into contracts in order to protect the express covenants or promises of the contract, not to protect some general public policy interest not directly tied to the contract's purpose.

As the unambiguous purpose of the Listing Agreement is to set forth the terms and conditions governing the Listing of Alflex's products, and not the product of anyone else, the covenant cannot be used to define the relationship between UL and a third party. Thus, UL is entitled to summary judgment on the breach of contract claim.

THE DUTY OF FAIRNESS

Alflex contends that UL breached a duty of fairness owed to Alflex when it Listed Carlon's product. Several California cases have held that certain associations with economic power have a duty to follow fair procedure in rejecting applicants for membership or expulsion of members. However, Alflex has not cited any case which does not involve a cause of action by the rejected membership applicant or the expelled former member. *Pinsker v. Pacific Coast Society of Orthodontists*, 1 Cal. 3d 160 (1969); *Ezekial v. Winkley*, 20 Cal. 3d 267 (1977); *Curran v. Mount Diablo Council of the Boy Scouts*, 147 Cal. App. 3d 712 (1983). The Court finds no basis for extending this theory to Alflex's challenge of UL's decision to *accept* the Carlon product for Listing. Thus, UL is entitled to summary judgment on plaintiff's duty of fairness claim.

NEGLIGENCE

Plaintiff's negligence claim is based on two theories. First, Alflex alleges that UL was negligent in the performance of its obligations under the Listing Agreement between UL and Alflex. Second, Alflex contends that UL breached its duty of care under general negligence law. Complaint ¶60.

Since the Court has found that UL did not breach its contract with Alflex by Listing the Carlon product, UL cannot be found liable on a theory of negligent breach of contract.

Under its second negligence theory plaintiff asserts that it has the right to be protected from competition arising from UL's alleged failure to exercise due care in Listing Carlon's product. The six policy factors which must be balanced in determining whether UL owed Alflex a duty of care are: (1) the extent to which the transaction was intended to affect plaintiff; (2) the foreseeability of harm to plaintiff; (3) the degree of certainty that plaintiff suffered injury; (3) [sic] the closeness of connection between the defendant's act and the plaintiff's injury; (5) the moral blame attached to the defendant's conduct; and (6) the policy of preventing future harm. *J'Aire Corp. v. Gregory*, 24 Cal. 3d 799, 804 (1979).

UL's Listing of Carlon's product was not intended to affect Alflex. The alleged competitive injury to Carlon is not "closely connected" to UL's conduct: the testing of new products for compliance with safety standards deemed applicable by UL's engineers. Finally, Alflex has presented no convincing evidence that UL's conduct was morally blameworthy or that public policy otherwise supports a finding of duty in this case. To impose a duty on UL would mean that every time that UL Listed a new product, it would be subject to suit. This would impair the ability of UL to test new products and changing technology in an impartial manner, unbiased by the fear of lawsuits by disgruntled competitors. For all of these reasons, the Court finds that UL owed no duty to Alflex in its decision to List the Carlon product. Thus, UL's motion for summary judgment on the negligence claim is granted.

CANCELLATION OF UL'S MARK

As its final claim, Alflex seeks cancellation of UL's certification Mark under Section 14 of the Lanham Act, on the grounds that UL has failed to control its Mark. 15 U.S.C. § 1064(e)(1) (1982). For the following reasons, this claim must also fail.

As a licensee of UL, Alflex is estopped from seeking cancellation of its licensor's Mark. *See Professional Golfers Association v. Bankers Life and Casualty Company*, 514 F.2d 665, 671 (5th Cir. 1975). Even if Alflex were not estopped, it has not come forward with any evidence that UL has failed to control its Mark. Plaintiff admits that Carlon's product did meet the test requirements deemed applicable by UL. Furthermore, it is not claimed that UL failed to conduct follow-up audits of Carlon's product once it authorized use of the Mark. Therefore, plaintiff's claim of failure to control presents no genuine issue of material fact, and UL is entitled to summary judgment in its favor.

For all of the above reasons, the Court hereby GRANTS defendant's motion for summary judgment on all claims.

It is so ordered.

Dated: March 21, 1989

JOHN G. DAVIES
United States District Judge